

U.S. ARMY ENGINEER DISTRICT, BUFFALO
Finance & Accounting Office
1776 Niagara Street
Buffalo, NY 14207

STANDARD OPERATING PROCEDURES
No. 37-2-1

Revised 16 April 1999

CAPITALIZATION OF
REAL AND PERSONAL PROPERTY

1. Purpose: This Standard Operating Procedure (SOP) defines responsibilities and guidance for identification, routing, maintenance, and data entry for capitalization of real and personal property in Civil Works and Revolving Funds.

2. References:

- a. ER 37-2-10, 1-13, chapter 15
- b. ER 405-1-12, Real Estate Handbook
- c. ER 700-1-1, USACE Supply Policies and Procedures
- d. CEFMS User Manual, Section 12, Asset Management
- e. CERM-F memo dated 29 Jan 1996, subject: Capitalization of Civil Works Property
- f. CERM-F memo dated 29 Sep 97, subject: Revised Capitalization Guidance for Civil Works Personal Property
- g. CELRB-RM, BR 37-1-5, Civil Works Construction in Progress
- h. CENCB-RM/CENCE-RE SOP No. 1-40(RE)/CENCE-RE-1A, dated 28 Jan 97, Real Property Reconciliation

3. Definitions (see BR 37-1-5 for more comprehensive list):

a. Capitalization Criteria:

- 1) Personal property having a useful life of two or more years and an acquisition cost which equals or exceeds the current monetary capitalization threshold of \$25,000.
- 2) Real property (land, buildings, structures) with a useful life of two or more years. There is no monetary minimum threshold. All real property is capitalized regardless of monetary value.

b. PRIP: Plant Replacement and Improvement Program are specially requested funds for acquisition/construction of revolving fund property that meets the capitalization criteria.

c. Operating Costs: Depreciation, Insurance, and Plant Replacement Increment expenses that are distributed monthly to operating accounts for PRIP property. Civil Works property depreciates but the expense is not distributed.

4. Responsibilities:

a. Requesting Office creates a unique work item through the asset work item create screen 2.101, when acquiring or constructing real or personal property that meets the criteria for capitalization. Create the PR&C in the asset work item with the appropriate resource code, element of resource (EOR), property code, and hand receipt number in CEFMS. Prepare proper forms for disposal of property.

b. Finance and Accounting (F&A) is responsible for certification of contractual PR&Cs. During that process, F&A personnel will review PR&C line items and dollar amounts for possible acquisition/construction of real or personal property that meets the capitalization criteria to ensure the PR&C and work item are coded appropriately. F&A will reject PR&Cs when coding or work item are not correct. F&A also calculates rates, runs depreciation program, projects annual operating expenses for budget, keeps responsible employee informed of changes in costs, publishes changes in the capitalization program and criteria, and performs quarterly reconciliations with PBO and RE.

c. Property Book Officer (PBO) technically approves PR&Cs for purchase of property. Identifies PR&Cs for capital assets. Reject PR&C's not coded/funded properly. Flag capital assets in APPMS. Inform F&A when capital property status changes, ie., is retired, disposed of, sold, or destroyed. Reconcile quarterly with F&A.

d. Real Estate coordinates with F&A for creation of new property IDs or Additions & Betterments (A&B) to existing property IDs. Enter real property actual costs in REMIS as provided by F&A personnel. Notify F&A when real property has been disposed of. Reconcile REMIS to CEFMS quarterly with F&A.

5. Procedures:

a. Responsible employee creates unique work item in CEFMS for acquisition/construction of real or personal property that meets the capitalization criteria and prepares properly coded PR&Cs.

b. PBO technically reviews PR&C for purchase of personal property. If property meets the definition for capitalization,

ensure that the work item being used is properly classified as an asset work item (Cost Type will be CIP). If not, reject the PR&C or coordinate with the responsible employee to reclassify the work item. Enter the appropriate local indicator to flag the property ID as a capital asset in APPMS.

c. F&A certifies funds on the PR&C. If property is being acquired/constructed that fits the definition for capitalization, ensure that the work item being used is classified as an asset and reject incorrect PR&Cs or reclassify the work item.

d. F&A prints the PR&C upon certification, and retains in a suspense file for later capitalization and start of asset file. Upon certification of a properly coded PR&C for personal property in an asset work item, the costs become part of Inventory (Personal Property) in Process (IIP).

e. Responsible employee prepares Eng Form 3013, Work Completion, when the acquisition process is complete and the property has been received or a separable physical element of the real property has been completed.

f. F&A transfers the costs to plant-in-service, annotates total costs on the Eng Form 3013, and provides a copy to the Property Book Officer or Real Estate, as appropriate, with a copy back to the responsible employee. The original form is retained in F&A with the asset file.

g. F&A enters the appropriate operating account and expense rates in CEFMS for depreciation, insurance, and plant replacement increment and monitors the monthly running of the operating expense program.

h. PBO reports to F&A monthly per SOP No. 37-2-2, any change in capital property status -- property destroyed, dismantled, retired, excessed, mothballed, disposed of, or sold. PBO enters the change in APPMS and F&A enters the change in CEFMS.

i. F&A and PBO will independently reconcile CEFMS reports to APPMS reports quarterly. By the 5th duty day following the end of a quarter, the PBO will provide the appropriate F&A asset manager with an APPMS printout and the F&A asset manager will provide the PBO with a printout of the CEFMS asset report. They will each independently perform a reconciliation to identify any discrepancies. Within 16 working days of the end of quarter, they will meet to compare discrepancies and discuss solutions. All problems must be resolved within 30 days of the end of quarter -- or justification provided as to when the problem will be resolved. When the two reports are completely identical and reconciled, both the F&A asset manager and the PBO will sign a statement to that effect. F&A will retain a reconciliation file by quarter.

j. F&A and Real Estate will perform a quarterly reconciliation of REMIS to CEFMS following the same guidance as in "i" above.

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Finance and Accounting Officer